CANADIAN CELANESE LIMITED

Annual Report

FOR THE YEAR ENDED

DECEMBER 31st

1937

CELANESE

REG. CAN. PAT. OFF.

PURVIS HALL
APR 29 1955
McGILL UNIVERSITY

Directors

BRIG.-GEN. SIR WILLIAM ALEXANDER
K.B.E., C.B., C.M.G., D.S.O., M.P.

C. L. AUGER
LEE CADIEN
W. McC. CAMERON
DR. CAMILLE DREYFUS
DR. HENRI DREYFUS
A. SCHWARTZ
P. A. THOMSON
G. H. WHIGHAM

Finance and Executive Committee

P. A. THOMSON (*Chairman*)
G. H. WHIGHAM
DR. CAMILLE DREYFUS
W. McC. CAMERON

Officers

G. H. WHIGHAM, *Chairman of Board of Directors*
DR. CAMILLE DREYFUS, *President*
W. McC. CAMERON, *Vice-President*
LEE CADIEN, *Secretary and Treasurer*
H. BLANCKE, *Assistant Secretary and Assistant Treasurer*

C. W. PALMER
Vice-President

R. H. SPERLING
Factory Manager

C. HESSEY-WHITE
Sales Manager

General Offices

1401 McGill College Avenue
Montreal, P.Q.

Factory

Drummondville
P.Q.

Auditors

MESSRS. P. S. ROSS & SONS
Montreal, P.Q.

DIRECTORS' REPORT

February 14, 1938

To the Shareholders of
Canadian Celanese Limited:

There is presented herewith copies of the Balance Sheet, Capital Surplus and Earned Surplus Accounts as at December 31, 1937, and a Statement showing the amount of Earned Surplus available for distribution as a participating dividend on the Preferred Stock, together with the Auditors' Certificate.

Net profits for the year amounted to $1,489,102.38 as compared with $1,519,503.90 for the previous year.

There was appropriated from net profits the sum of $122,400.00 for payment of interest on the Income Funding Rights and Sinking Fund in accordance with the provisions of Special By-Law "A", and a further sum of $100,000.00 which amount was transferred to Special Reserve Account, leaving a balance of $1,266,702.38 which was transferred to Earned Surplus Account.

There was appropriated from Capital Surplus Account the sum of $146,068.03, which amount was transferred to Reserve for Amortization of Patents and Processes.

Capital Expenditures during the year for increased facilities at your Company's plant amounted to approximately $400,000.00.

The participating dividend to which the Preferred shareholders are entitled with respect to the year 1937, will be paid when declared by the Board of Directors.

For the Board of Directors,
Camille Dreyfus,
President.

AUDITORS' CERTIFICATE

February 7, 1938.

CANADIAN CELANESE LIMITED,
MONTREAL.

We have examined the books of account and financial records of Canadian Celanese Limited for the year ended December 31, 1937 and have obtained all the information and explanations we have required.

We certify that, in our opinion, the attached Balance Sheet and relative Statement of Income and Expenditure and Earned Surplus Account present a true and correct statement of the financial position of the Company as at December 31, 1937 and the result from operations for the year ended that date, according to the best of our information and the explanations given to us and as shown by the books of the Company.

There is attached a statement showing the amount of Earned Surplus as at December 31, 1937 available for distribution as a Participating Dividend on the Preferred Stock; we certify that, in our opinion, this statement is correct.

P. S. ROSS & SONS,
Chartered Accountants.

BALANCE SHEET AS

ASSETS

CURRENT:		
Cash on Hand and in Banks	$1,035,945.41	
Government Bonds and Other Securities, at cost (approximate market value $1,187,446.00)	1,368,491.77	
Trade Debtors, less Reserve for Doubtful Accounts	685,175.54	
Other Accounts Receivable and Accrued Interest	25,089.28	
Inventories of Raw Materials, Supplies, Work in Process and Finished Goods, as determined and certified by the Management and valued at cost	1,808,760.44	
		$ 4,923,462.44
DEFERRED AND PREPAID CHARGES:		
Unexpired Insurance and Taxes	22,211.54	
Inventories of Stationery and Advertising Materials	7,993.46	
Expenses applicable to future operations	16,213.23	
Cost of Income Funding Rights purchased in anticipation of Sinking Fund requirements	14,545.35	
		60,963.58
SECURITIES HELD FOR INVESTMENT, valued at cost		205,574.39
FIXED:		
Real Estate, Plant, Machinery and Equipment, at cost		11,157,412.61
Patents, Processes, Trade Marks and Contracts		1,642,810.41
SPECIAL FUND re INCOME FUNDING RIGHTS, AS PER CONTRA		367,200.00
ASSETS HELD FOR SPECIAL FUND—		
Cash in Bank	5.00	
Government Bonds at cost (approximate market value $258,060.00)	244,145.00	
Income Funding Rights, 4,922 Rights valued at $25.00 per Right	123,050.00	
	$367,200.00	
		$18,357,423.43

APPROVED ON BEHALF OF THE BOARD:

(Signed) C. L. AUGER,.....Director.

" P. A. THOMSON,.....Director.

T DECEMBER 31, 1937

LIABILITIES

CURRENT:		
Accounts Payable and Accrued Liabilities	$ 297,673.59	
Provision for Dominion, Provincial and Municipal Taxes	309,286.33	
Interest on Income Funding Rights	81,255.00	
		$ 688,214.92
RESERVES:		
For Depreciation of Buildings, Machinery and Equipment	2,405,576.98	
For Amortization of Patents and Processes	786,529.78	
For Contingencies, Unascertained Charges, etc.	38,198.88	
Special Reserve	550,000.00	
		3,780,305.64
CAPITAL STOCK:		
Authorized—		
150,000 Shares 7% Cumulative Participating Preferred, Par Value $100.00 per share.		
300,000 Shares Common, without Nominal or Par Value.		
Issued—		
100,000 Shares Preferred	10,000,000.00	
260,409 Shares Common	1,169,045.00	
		11,169,045.00
Income Funding Rights having the attributes set forth in Special By-Law "A":		
Issued under the Scheme of Arrangement of November 7, 1934	90,000 Rights	
Less: Purchased by the Company and held in Special Fund as per Contra 4,922		
Held in anticipation of Sinking Fund requirements 679		
Delivered to Sinking Fund 3,144		
	8,745 Rights	
	81,255 Rights	
(Rights purchased by the Company cannot be re-issued)		
BALANCE OF SINKING FUND RE INCOME FUNDING RIGHTS set aside in accordance with the provisions of Clause 3 of Special By-Law "A"		9.00
SPECIAL FUND re INCOME FUNDING RIGHTS, as per contra, set aside in accordance with the provisions of Clause 5 of Special By-Law "A"		367,200.00
SURPLUS ACCOUNTS:		
Distributable Surplus, set aside in 1936 in accordance with the provisions of Sub-section 7 of Section 12 of The Companies Act, 1934	62,500.00	
EARNED SURPLUS, per Statement attached	2,290,148.87	
		2,352,648.87
		$18,357,423.43

Examined and Certified in accordance with our attached Certificate.

P. S. ROSS & SONS,
Chartered Accountants.

MONTREAL, February 7, 1938.

STATEMENT OF INCOME AND EXPENDITURE
For the Year Ended December 31, 1937

NET OPERATING PROFIT before taking up the items below		$2,233,693.18
ADD:		
Income from Investments	$ 85,532.86	
Profit on Income Funding Rights purchased for Special Fund and for Sinking Fund	10,744.15	
		96,277.01
		2,329,970.19
DEDUCT:		
Remuneration of Executive Officers and Directors required to be shown separately under Section 113 (2) of The Companies Act	72,220.00	
Fees of Directors not included above	7,720.00	
Legal Fees	19,595.00	
Depreciation of Plant, Machinery and Equipment	387,077.54	
Amortization of Patents and Processes	64,255.27	
Reserve for Income Tax	290,000.00	
		840,867.81
NET PROFIT FOR THE YEAR		1,489,102.38
DEDUCT:		
Amount appropriated for Interest for 1937 and Sinking Fund re Income Funding Rights, in accordance with the provisions of Clause 3 of Special By-law "A"	122,400.00	
Amount transferred to Special Reserve Account	100,000.00	
		222,400.00
BALANCE OF NET PROFIT for the year transferred to Earned Surplus Account		$1,266,702.38

CAPITAL SURPLUS ACCOUNT
as at December 31, 1937

BALANCE AT CREDIT, January 1, 1937	$ 146,068.03
DEDUCT:	
Amount transferred to Reserve for Amortization of Patents and Processes	146,068.03
BALANCE at December 31, 1937	Nil

EARNED SURPLUS ACCOUNT
as at December 31, 1937

BALANCE AT CREDIT, January 1, 1937		$ 2,228,776.20
DEDUCT:		
Additional Income Taxes for former years, less adjustment of other taxes		19,675.31
		2,209,100.89
ADD:		
Balance of Net Profit for the year, transferred from Statement of Income and Expenditure		1,266,702.38
		3,475,803.27
DEDUCT:		
Dividends Paid:		
On Preferred Shares—		
At rate of 7% per annum for 1937	$ 700,000.00	
Participating Dividend of 69 cents per share, in respect of the year 1936	69,000.00	
	769,000.00	
On Common Shares, at rate of $1.60 per share	416,654.40	1,185,654.40
BALANCE AT CREDIT, December 31, 1937 ($54,705.76 of which is subject to distribution as a Participating Dividend, when declared)		$ 2,290,148.87

Statement showing the amount of Earned Surplus as at December 31, 1937, available for distribution as a Participating Dividend on the 7% Cumulative Participating Preferred Stock.

AMOUNT OF EARNED SURPLUS as at December 31, 1936, which was subject to payment of a Participating Dividend of 10%, when declared		$ 690,030.60
DEDUCT:		
Earned Surplus on which a Participating Dividend of $69,000.00 was paid on March 31, 1937		690,000.00
		30.60
ADD:		
Balance of Net Profit for the year 1937, per attached Statement of Income and Expenditure		1,266,702.38
		1,266,732.98
DEDUCT:		
Net charges to Earned Surplus Account in 1937 in respect of Income Taxes and other taxes of prior years	$ 19,675.31	
Dividends (other than Participating Dividends) paid on Preferred Shares in 1937	700,000.00	
		719,675.31
AMOUNT OF EARNED SURPLUS as at December 31, 1937, which is subject to payment of a Participating Dividend of 10% (equivalent to 54.7 cents per share) when declared		$ 547,057.67

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